

**FRENCH PETROLEUM COMPANY
OF CANADA LTD.**

and Subsidiary Company

Consolidated Statement of Income

	FIRST HALF 1970	1969
INCOME		
Production sales, less royalties paid	\$1,807,393	\$1,632,406
Investment and other income	142,829	93,696
	<u>1,950,222</u>	<u>1,726,102</u>
EXPENSES		
Well operating costs	225,839	177,116
Administrative and general	286,668	278,808
	<u>512,507</u>	<u>455,924</u>
Net cash income	1,437,715	1,270,178
Depreciation, amortization and other non-cash charges	845,255	736,817
Net income for period	<u>592,460</u>	<u>533,361</u>
Shares outstanding at June 30th	6,571,957	5,570,707
Net cash income per share	21.9¢	22.8¢
Net income per share	9.0¢	9.6¢

**Consolidated Statement of Source and
Disposition of Working Capital**

	FIRST HALF 1970	1969
SOURCE		
Net cash income	\$1,437,715	\$1,270,178
Sales of common shares	—	10,125
Proceeds from disposals of assets	8,149	6,969
Advanced by parent company	—	1,700,000
Proceeds from sale of future production	63,000	—
	<u>1,508,864</u>	<u>2,987,272</u>
DISPOSITION		
Reduction in deferred production income	\$ 6,751	\$ 716,009
Petroleum and natural gas properties	3,784,797	4,200,784
Production and other equipment	325,786	109,133
	<u>4,117,334</u>	<u>5,025,926</u>
Increase (decrease) in working capital	(2,608,470)	(2,038,654)
Working capital beginning of period	4,217,899	1,994,257
Working capital end of period	<u>\$1,609,429</u>	<u>(44,397)</u>

**FRENCH PETROLEUM
COMPANY OF CANADA LTD.**



INTERIM REPORT

SIX MONTH PERIOD ENDED JUNE 30

1970

TO THE SHAREHOLDERS:

Moderate gains were experienced by your Company in both production and revenue during the first half of 1970 as compared to the equivalent period of last year.

Production of crude oil and condensate during the first six months of this year totalled 717,476 barrels, representing an increase of 4% over the 688,626 barrels produced during the equivalent period of 1969. Most of this increase occurred during the first quarter, prior to the imposition of import controls on Canadian crude into the U.S. which went into effect on March 1, 1970. Your Company's natural gas sales increased by 58% to an average of 9,574 Mcf per day as compared to 6,035 Mcf per day during the first half of 1969. The resulting combined production of crude oil, condensate and natural gas (expressed as equivalent barrels) averaged 4,443 barrels per day compared to 4,106 barrels per day during the corresponding six month period of last year.

As shown in the accompanying Consolidated Statement of Income of your Company and its subsidiary for the six-month period under review, gross income from all sources after payment of royalties amounted to \$1,950,222, representing an increase of 13% over the comparative 1969 figure. Cash flow increased by \$167,537 to \$1,437,715 and net profit for the period amounted to \$592,460 as compared to \$533,361 during the first half of last year. These figures represent cash income of 22¢ per share and net profit of 9¢ per share for the period under review as compared to 23¢ per share and 9½¢ per share respectively for the corresponding period of 1969 at which time there were approximately one million less shares outstanding. All of the foregoing financial figures are subject to year-end audit.

Due to the seasonal slowdown of activity normal for the latter part of the period under review, the majority of your Company's exploration drilling was undertaken during the first quarter of the year. These operations resulted in participations in a gas discovery

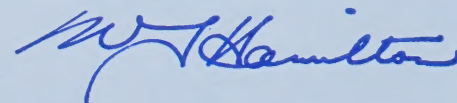
located in the Grassy Lake region of northeast British Columbia, an oil well in the Senex area of Alberta and two gas wells, one located in the Brazeau area and one in the South Rainbow area, both in Alberta. It is anticipated that additional drilling to establish the magnitude of gas reserves attributable to the Grassy Lake discovery will be undertaken later this year.

In the Arctic region, where French Petroleum already holds a 20% interest in offshore permits covering approximately one-half million acres near Ellef Ringnes Island, the Company obtained an option during the period under review to acquire a 25% interest in permits containing in excess of two million acres located off the west shore of Banks Island. A seismic program is planned for the 1970 late summer operating season as an initial evaluation of these permits. The necessity of establishing priorities of expenditures of your Company's exploration funds in areas of high exploration cost, which include offshore Labrador, Hudson Bay, Mackenzie Delta and the Arctic area, has resulted in a decision to convert the Company's working interests in both the Hudson Bay and James Bay areas to overriding royalty interests. Accordingly an agreement is now being negotiated with another company to implement this decision.

The evaluation and analysis of the proposed merger between your Company and Leonard Refineries, Inc. is now substantially completed and your Directors have approved a form of Merger Agreement which remains subject, among other things, to the receipt of favorable tax rulings and ratification by the shareholders of both companies. A detailed information circular and proxy statement has been mailed to the registered shareholders of French Petroleum in order to acquaint them with full particulars of the proposal and a Special General Meeting of the Shareholders has been called for September 30, 1970. In addition to approval of the Merger Agreement, the shareholders will be asked at this meeting to approve and sanction three new By-laws enacted by the Directors of your Company in conjunction with the merger. These new By-laws, which deal with certain changes in the Company's authorized share capital, a change in name of

the Company to Total Petroleum (North America) Ltd. and an increase in number of directors from seven to ten, are explained in full detail in the said information circular and proxy statement.

Submitted on behalf of
the Board of Directors,



"W. T. Hamilton"
President

August 20, 1970.

FRENCH PETROLEUM COMPANY OF CANADA LTD.

and Subsidiary Company

Production and Land

	FIRST HALF	
	1970	1969
Total crude oil and condensate (bbls.)	717,476	688,626
Average bbls. per day	3,964	3,804
Total natural gas sales (mcf)	1,733,003	1,092,342
Average mcf per day	9,574	6,035
Gross land holdings (acres)	101,942,286	111,306,598
Net land holdings (acres)	8,786,407	8,947,226